

The I/Fax



Administered by Illinois State Treasurer Alexi Giannoulas

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END JANUARY 2007

Call us at 1-800-346-7414

Yesterday's Rates 2/5/07

Money Market Fund

5.160%

Prime Fund

5.212%

**Fed Meeting Dates
to Watch in 2007**

March 20/21

May 9

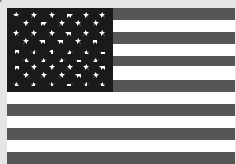
June 27/28

August 7

September 18

October 30/31

December 11



**Presidents'
Day**

February 19

MARKET PERSPECTIVE

The decision of the Federal Reserve Open Market Committee, FOMC, at the January 31, 2007 meeting left the target Fed Funds Rate at the current level of 5.25%. To most observers, including ourselves, this was of no surprise. Recent results of the economy have left little doubt that the "soft landing" prescribed by Chairman Bernanke last year appear to be in the process of being realized. From this you might think one would presume that interest rate expectations for Fed Funds would be stable. Well, not exactly, the Fed Funds Futures markets are still predicting a reduction in the target rate by mid-year. Consensus forecasts from economists as measured by "Blue Chip Financial Forecasts" shows a move just after the mid-year mark. All in all, most of the financial world's experts expect rates to go down.

This is where, at least for us, the "conundrum" enters the picture. These same economists expect Real Gross Domestic Product to rise at

2.5% in the first half of 2007 and 2.9% in the second half and 3.1% in 2008. Further, they expect Consumer Price Inflation to average near 2.5% in 2007. As a reminder, the FOMC's highest level of comfort for inflation is around 2% to 2.2%. To further confuse the issue, these same economists surveyed by "Blue Chip" felt the yield curve would normalize, become upward sloping, oil would remain above \$50 and unemployment would rise to 5% or higher by year end. To our way of thinking these all relate to a healthy moderately growing economy. In our view, Chairman Bernanke is correct and we will have the soft landing.

The market outlook remains: Rates six months and in should be no worse than overnight investments, currently fed funds are at 5.25%. Term rates out longer than that are up in the air. In our view, the market is not conducive to taking a large position out beyond 6 months. A little here and there can be a useful hedge, nonetheless.

IVR NOW AVAILABLE

Illinois E-Pay – IVR (Integrated Voice Response) Telephone system is Now Available for municipalities to accept water, sewer, and utility

payments as well as parking fines or fees. For additional information, please call our office at 1-866-831-5240.

Information in the Market Perspective was obtained from sources considered reliable. Their accuracy or completeness is not guaranteed. Opinions expressed are subject to change without notice.



Safety, Liquidity and Yield



Illinois Funds yields for the period ending 1/31/07

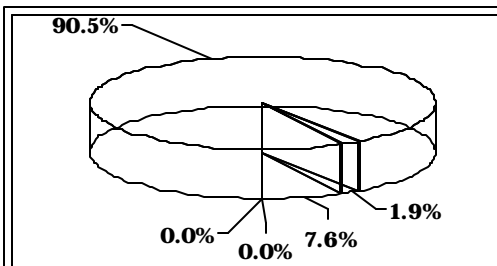
Money Market Fund (Daily Liquidity)		Prime Fund (7-day Liquidity) after 30-day minimum term	
One Month Yield*	5.16%	One Month Yield*	5.22%
One Month Effective Yield*	5.28%	One Month Effective Yield*	5.35%
Net Portfolio Assets (Millions)	\$4,973	Net Portfolio Assets (Millions)	\$1,045
Net Asset Value (Per Share)	\$1.00	Net Asset Value (Per Share)	\$1.00
Weighted Average Maturity (Days)	3	Weighted Average Maturity (Days)	12
*Yield Net of Fees		*Yield Net of Fees	

Public Sector Comparisons

The Illinois Funds, MMF	5.16%	The Illinois Funds, Prime Fund	5.22%
S&P Govt. Inv Pool - Govt. Fund Index	5.05%	S&P Govt. Inv Pool - Taxable Fund Index	5.17%
IL School Dist Liquid Asset-Liquid Class	4.89%	IL School Dist Liquid Asset-Max Class	5.02%
3-Month Treasury Bill	5.09%	3-Month Treasury Bill	5.09%
6-Month Treasury Bill	5.13%	6-Month Treasury Bill	5.13%

Private Sector Comparisons

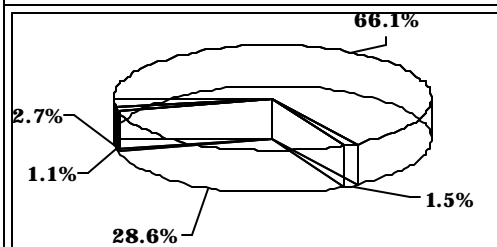
The Illinois Funds, MMF	5.16%	The Illinois Funds, Prime Fund	5.22%
IMoneynet™—Govt. Institutional	4.83%	Federated Government Obligations	5.12%
Fidelity –695 Treasury Fund	5.09%	Fidelity – 57 Government Fund	5.14%
Goldman Financial Square Treasury Fund –468	5.07%	Goldman Financial Sq Government Fund –465	5.15%
30-Day Time Deposit	5.01%	90-Day Time Deposit	5.04%



Fund Compositions

Money Market Fund

90.5% - Repurchase Agreements
 7.6% - Money Market Funds
 1.9% - Certificates of Deposit
 0.0% - Treasury Bills
 0.0% - Treasury Notes



Prime Fund

66.1% - Repurchase Agreements
 2.7% - Certificates of Deposit
 1.5% - US Government Agencies
 1.1% - Money Market Funds
 28.6% - Commercial Paper

E-Pay Account Rate

5.160% 2/05/07

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Rapid Revenue Acct. Rate

5.160% 2/05/07

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